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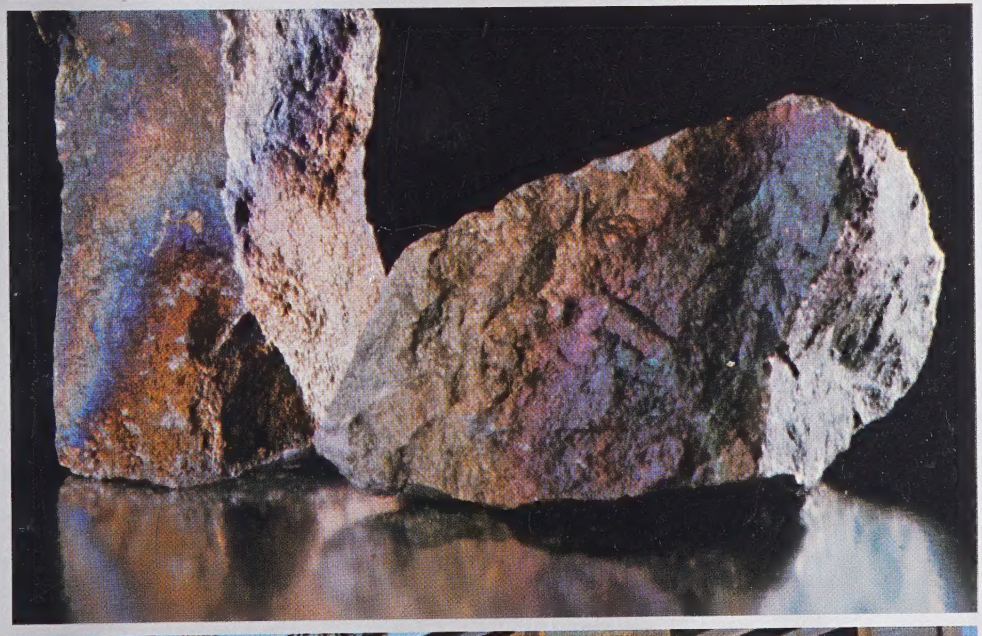


Union Carbide Canada Limited 1973 Annual Report

UNION CARBIDE

Directors

***Jacques de Billy**
Senior Partner,
Messrs. Gagnon, de Billy,
Cantin, Dionne, Martin,
Beaudoin & Lesage
Quebec City

Douglas F. S. Coate
Secretary and General Counsel,
Union Carbide Canada Limited
Toronto

***John S. Dewar**
President,
Union Carbide Canada Limited
Toronto

John H. Field
Vice-President,
Union Carbide Canada Limited
Toronto

Alexander I. Hainey
Vice-President,
Union Carbide Canada Limited
Toronto

***Allen T. Lambert**
Chairman of the Board,
The Toronto-Dominion Bank
Toronto

Fred B. O'Mara
Executive Vice-President,
Union Carbide Corporation
New York

Gordon W. Patterson
Vice-President,
Union Carbide Canada Limited
Toronto

***John F. Shanklin**
Vice-President and Secretary,
Union Carbide Corporation
New York

***Ian D. Sinclair**
Chairman of the Board,
Canadian Pacific Limited
Montreal

***James C. Thackray**
Executive Vice-President,
Bell Canada
Toronto

*Audit Committee

Executive Officers

John S. Dewar
President

John H. Field
Vice-President

Alexander I. Hainey
Vice-President

Richard S. Hughes
Vice-President

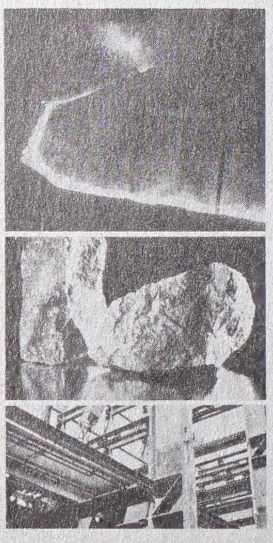
Gordon W. Patterson
Vice-President

Douglas F. S. Coate
Secretary and General Counsel

Robert L. Hammond
Treasurer

The cover:

1. *Molten ferromanganese flows from the crucible of a new submerged arc electric furnace energized in 1973 at Union Carbide Canada Limited's Beauharnois, Quebec, plant.*
2. *The furnace product, ferromanganese, is an essential element in all basic steel production.*
3. *Virtually the "sinew" of steel, ferromanganese adds the characteristics of toughness and durability.*



Sur demande, il nous fera plaisir de vous envoyer l'édition française de ce rapport.

To our shareholders

Both sales and net income achieved record levels in 1973 as Union Carbide Canada Limited enjoyed a year of significant growth. Sales at $245.7 million increased 16 per cent over 1972. Net income was $1.69 a share, improving 45 per cent over 1972 and 30 per cent over the previous high of $1.30 attained in both 1965 and 1966. Excluding extraordinary items, income from operations registered a 35 per cent gain over the previous year.

Strong economic conditions created an increased demand for all of Union Carbide's diverse products. Most facilities operated virtually at capacity, and our price index recorded its first appreciable upward movement since 1968. Of significant benefit to 1973's performance were the revised corporate tax rates. The new tax rates and accelerated depreciation allowances served to strengthen the competitive position of Canadian manufacturers and stimulate expansion.

As as result of the improved earnings trend, the Board of Directors at its September meeting increased the quarterly dividend by more than eight per cent to 16¼ cents a share.

The year was a challenging one for all companies involved in the production of petrochemicals. It was a period when world demand outstripped capacity after several years when inadequate profitability had ruled out new investment. At mid-year, Union Carbide embarked on a major expansion of its Montreal East petrochemical complex to considerably enlarge production capacity for polyethylene and ethylene-derived chemicals. The new facilities will go on stream in late 1974.

For longer-term petrochemical requirements, the Company became a partner in the Sarnia Olefins and Aromatics Project, joining Polysar Limited, Du Pont of Canada Limited and Koch Industries Inc. in planning construction of a plant to produce petrochemical feedstocks on a world scale at world-competitive costs. Studies were also initiated with a view to establishing additional capacity in Alberta.

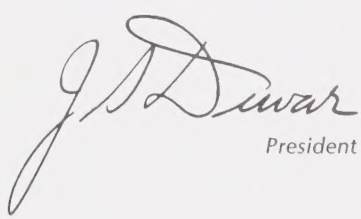
While return on capital utilized in operations increased to just over 10 per cent in 1973 from 1972's 7.6 per cent and an average of 7.2 per cent over the previous five years, continued improvement will be necessary in order to warrant the further commitment of funds to build new facilities of a world-competitive nature in the high technological industrial sectors. The severe inflationary pressures currently being faced are impeding Canada's ability to take full advantage of its present potential to become a major factor in these high value added growth sectors of world demand.

The Montreal East expansion and the completion of a new manganese alloy furnace at the Beauharnois metals plant were the major projects in total 1973 construction expenditures of $21.1 million.

Flexible packaging operations in Orangeville, Ontario, and Surrey, British Columbia, were sold during the year. The divestments reflect a continuation of efforts to direct the resources of the Company into the business areas felt best suited to its management and technological skills.

In April, James C. Thackray, Executive Vice-President of Bell Canada, was elected a Director. He succeeded Senator Salter A. Hayden whose retirement from the Board concluded more than 22 years of valued service to the Company .

Your management extends its sincere appreciation to all employees, directors and shareholders for their loyal and dedicated support during the past year.

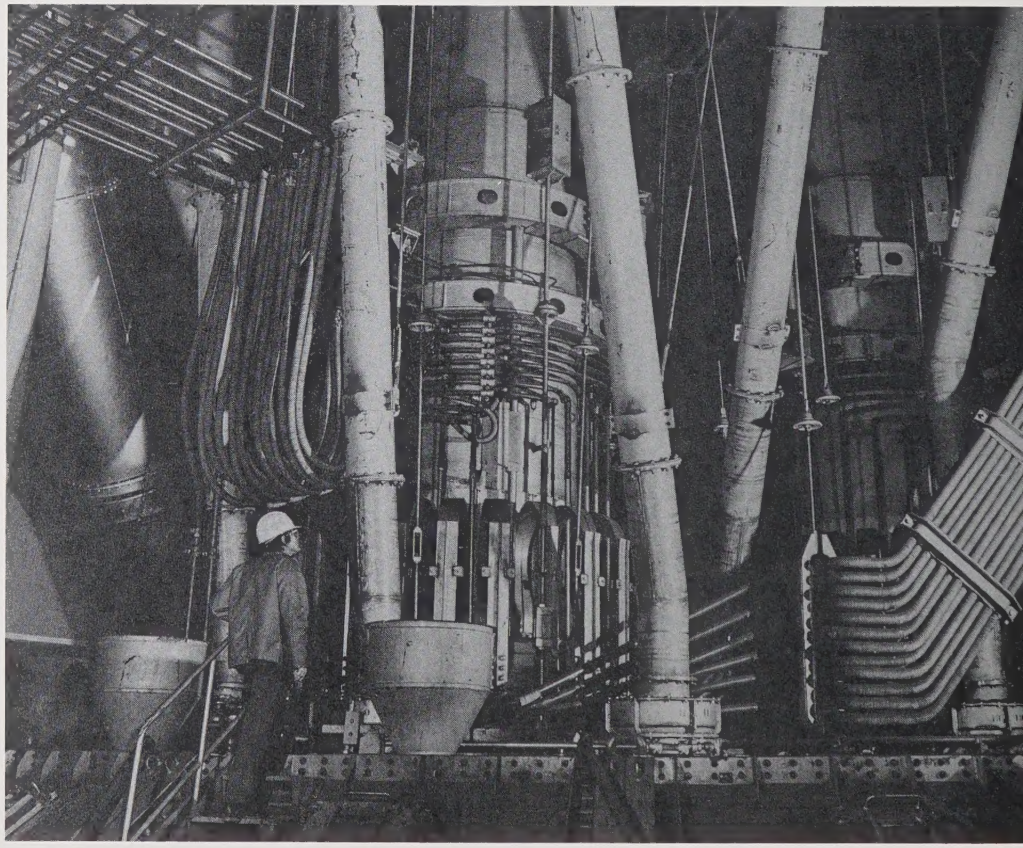


President

The annual Meeting of Shareholders will be held on Tuesday, April 30, 1974, at 11.00 a.m. in the Roof Garden of the Royal York Hotel, Toronto.

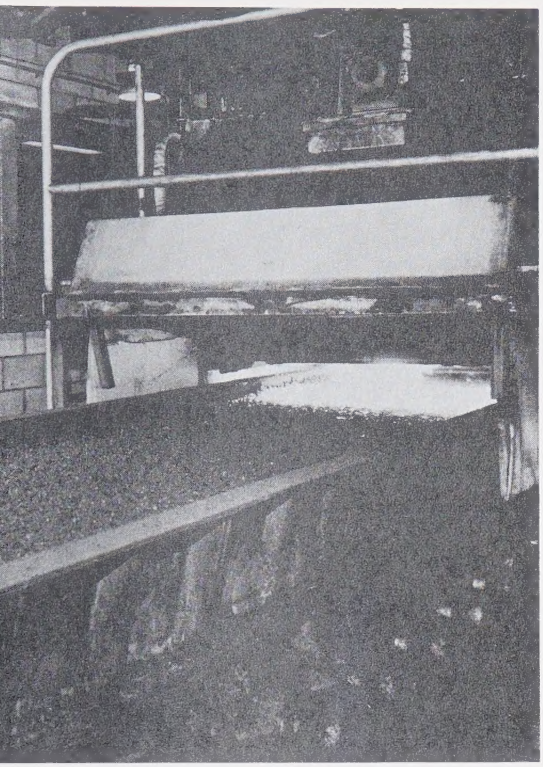
All facets of the operation of Union Carbide's new 30,000-kilowatt Beauharnois ferromanganese furnace are controlled from this console.

Giant carbon electrode columns give an indication of the massive size of the furnace. It is the largest of its type in the Western world.



Maximum raw material utilization is obtained with this sintering operation which agglomerates manganese ore and coke screenings.

A review of the year 1973



Sales in 1973 reached a record $245,688,000, increasing 16 per cent over 1972's sales of $212,045,000.
Prices for products and services gained an average of four per cent after remaining stable for five years. In terms of physical volume, the increase over 1972 was 12 per cent as most production facilities operated at or near capacity.
With higher sales and near capacity operations, net income achieved an all-time high of $16,907,000, or $1.69 per share. It represented a 45 per cent improvement over the $11,635,000, or $1.16 per share, earned the previous year.
Income from operations at $15,707,000 increased 35 per cent. The remaining $1.2 million extraordinary income represented net gain from the sale of assets and the write-off of property and equipment.

Financial highlights

	1973	1972
Sales	**$245,688**	$212,045
Net Income	**16,907**	11,635
Per Share	**$1.69**	$1.16
Dividends	**6,125**	6,000
Per Share	**$0.61**	$0.60
Shareholders' Equity	**138,127**	127,345
Per Share	**$13.81**	$12.73
Working Capital	**62,610**	52,424
Construction Expenditures	**21,084**	25,567
Depreciation	**13,388**	15,037
Total Assets	**229,665**	208,582

(dollars in thousands – except share figures)

A review of the year 1973

Wieners and many other sausage products are formed and processed in cellulose casings. As the sole Canadian producer of cellulose food casings, Union Carbide supplies meat processors across the country. Casings are also exported to Australia, Sweden, South America and the United Kingdom.

Sales by group

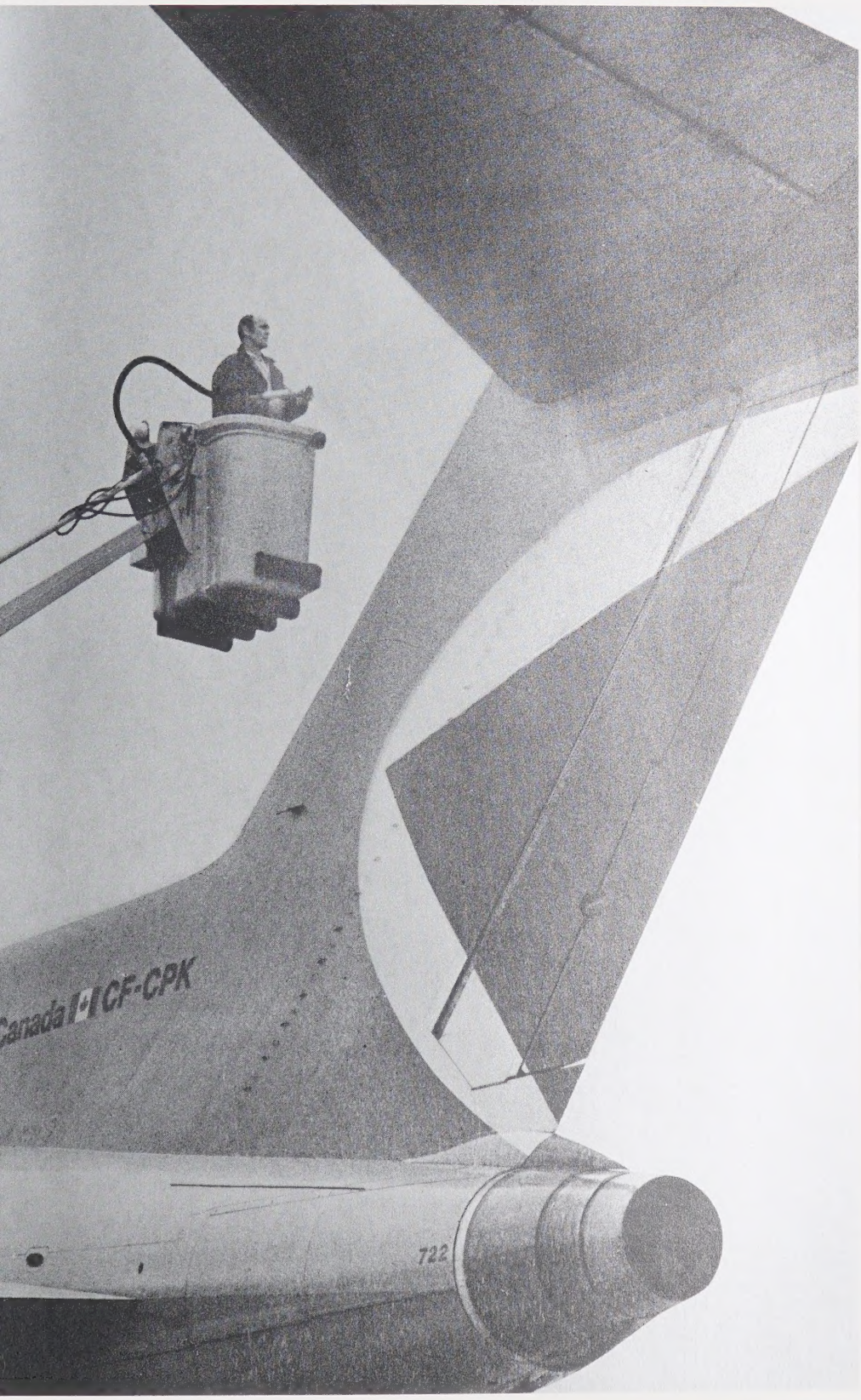
Chemicals and Fibres shared fully in the high level of Canadian economic activity. Demand for industrial chemicals grew at an unprecedented pace in 1973 but, to some extent, went unsatisfied because of industry-wide shortages. Sales of nylon products for use in carpeting expanded at more than twice the rate of the total carpet market. Anti-freeze sales also increased moderately over the previous year.

Plastics again recorded the greatest percentage sales growth. Demand for polyethylene resin continued briskly and was heightened by a sharp cutback in imports. Prices for both resins and polyethylene film firmed during the second half of the year. The business climate for phenolic resins and molding materials experienced an acceleration of the turnaround which began in late 1972.

Sales of cellulose food casings for sausage and wiener production registered major gains both domestically and in the export market. Home products, which include the well-known GLAD line of wrap and bags, continued to enjoy expanding coast-to-coast consumer acceptance.

The buoyant economic conditions were reflected in improved sales of **Gases.** They showed significant gains over 1972 as a result of the higher level of activity in the wide range of industries which utilize the group's industrial gases and equipment. Production facilities for oxygen, nitrogen and argon operated at capacity throughout much of the year.

Fluids for aircraft de-icing represent one of the major applications of ethylene glycol which is also widely used in the production of automotive anti-freeze, polyester synthetic fibre, paints and cellulosic films. Union Carbide is Canada's largest producer of ethylene-based petrochemicals.



Sales of **Metals and Carbon** recorded major gains. Strong demand for ferro-alloys in the steel, aluminum and foundry industries and a world-wide product shortage combined to create upward pressures on prices. With higher levels of steel ingot and aluminum production, sales of the graphite electrodes and carbon cathode blocks supplied to these industries increased. The industrial carbon and graphite market also experienced a reduction in off-shore competition. Battery sales improved despite a slight total market decline resulting from the trend to longer-life cells and a saturation in the market for transistor radios.

A review of the year 1973

Construction

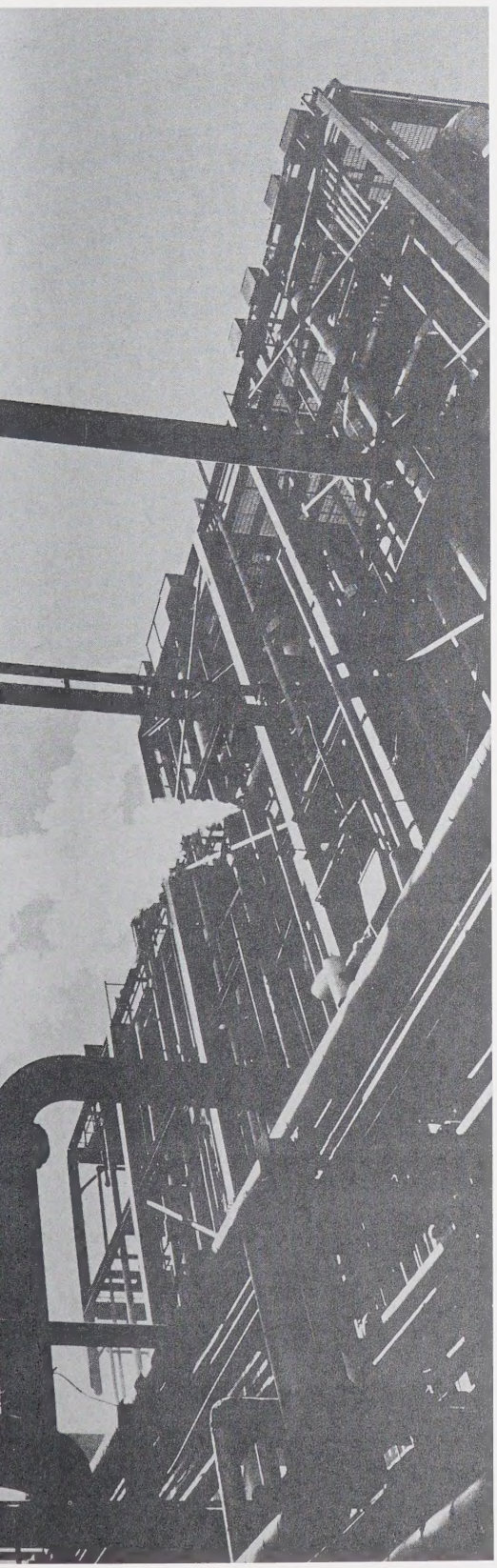
Expenditures on construction were $21.1 million, compared to 1972's record figure of $25.6 million.

Two major projects were completed during the year. A new oxygen plant at Sault Ste. Marie, Ontario, went into operation in February to supply the growing requirements of The Algoma Steel Corporation Limited. In September, a new manganese alloy furnace was energized at the Beauharnois metals plant. The first metal was tapped a month later. The largest unit of its type in the Western world, the furnace has an annual capacity of approximately 100,000 tons.

Work started at the Montreal East petrochemical plant in August on a major expansion to increase polyethylene capacity by one third, ethylene oxide capacity by 50 per cent and ethylene glycol capacity by 100 per cent. The new facilities, due to be operational in late 1974, will be supplied with gaseous oxygen and nitrogen by an on-site air separation facility presently under construction. The gases plant will also produce liquid oxygen and nitrogen for supply to industrial and medical markets in Quebec and the Atlantic Provinces.

Other 1973 projects included the construction of a pitch impregnation facility for graphite electrodes at the Welland, Ontario, carbon and graphite plant, and an expansion in plastic garbage bag capacity at the Orangeville, Ontario, home products facility.

Capacity of this ethylene oxide unit is being increased by 50 per cent in a major expansion of Union Carbide's Montreal East petrochemical complex.



Employees

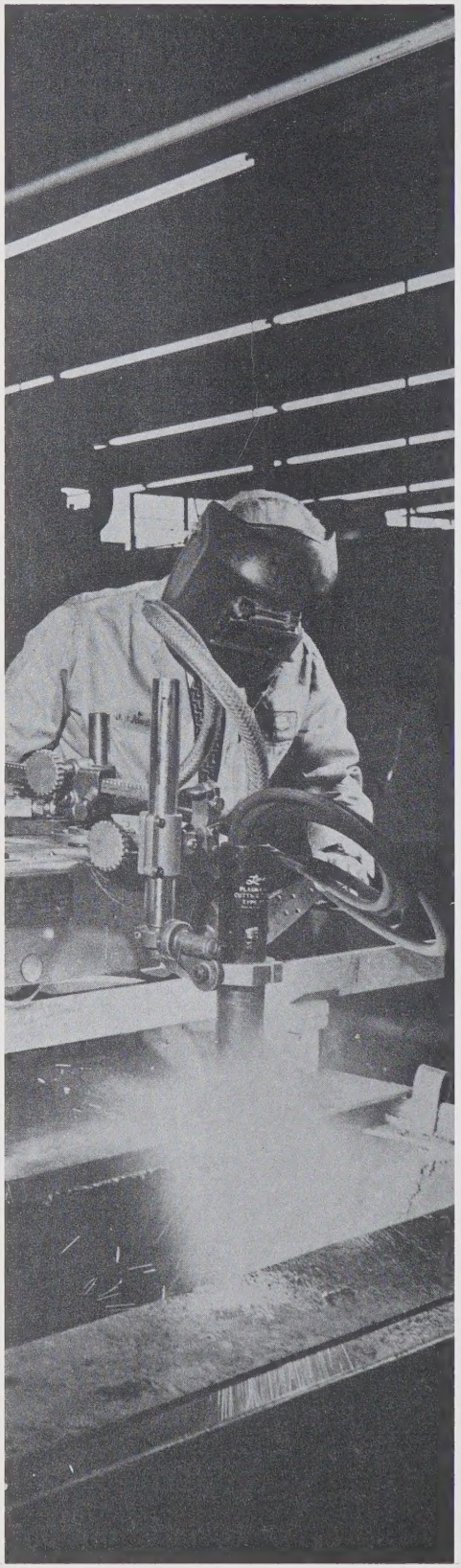
Making opportunities available to employees to utilize the full extent of their abilities continued to be a major aim of the Company. Training on and off the job is accepted as a responsibility of both the Company and employees. During 1973, approximately 60 managers completed Union Carbide Management System training programs designed to develop a high level of professionalism in managerial skills.

Total employment remained relatively stable during the year although significant growth was experienced in sales and production. A mature and co-operative relationship with employees and organized labour was maintained, and higher productivity helped offset the impact of rising costs.

A number of benefit plan improvements were introduced to retain the Company's competitive position and to facilitate recruitment activities. The Pension Plan was improved and additional early retirement options with full benefits were incorporated. The Savings Plan was modified to include two new Registered Retirement Savings Plan options, and vacations were increased for longer-service employees. Retirement Program records were computerized to help contain benefit plan administration costs.

A marked improvement in safety performance was achieved. The frequency rate for both disabling and serious injuries declined from 1972's level.

Technology



Plasma arc cutting of carbon steel is one of Union Carbide's current development projects. Utilizing nitrogen gas, plasma arc is faster and also more economical than conventional steel cutting processes.

Research and development activities continued to provide support to the Company's businesses by developing new product and process applications.

One significant project during 1973 was undertaken in association with a major copper producer. Engineering services and more than 6,000 tons of liquid oxygen were provided for the successful oxygen enrichment test of a new copper smelting process. The objective of the test was to double the production rate and, at the same time, increase sulphur dioxide stack gas concentration, making sulphuric acid recovery economically feasible and eliminating air pollution.

At the Montreal East plant, a major process optimization program was carried out with the use of advanced statistical and computing techniques. A new aircraft de-icing fluid, suitable for recycling, was formulated and currently is in use at Canadian airports.

Other notable projects during the year included: the initiation of a program to develop low-temperature lubricants for use in the Canadian Arctic; the development of superior polyethylene compounds for the primary insulation of underground telephone cables; the formulation of a new flame-retardant polyethylene extrusion compound; development work on new hot cutting equipment for steel mills; and the design of new production techniques for high-density, oxidation-resistant graphite, suitable for diamond drills, rocket nozzles and a variety of other sophisticated applications.

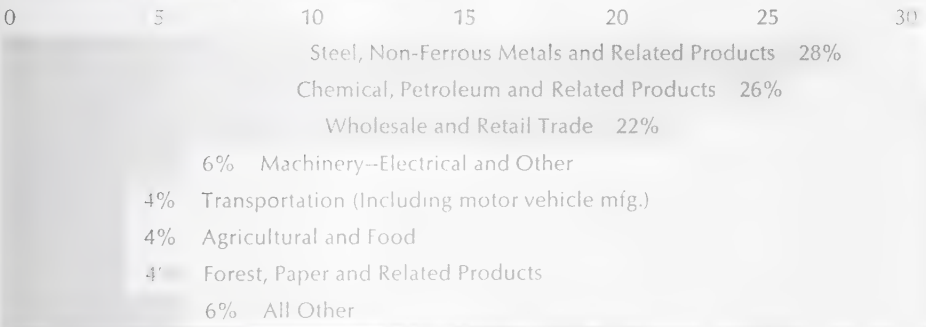
The Company's development effort is supported by agreements with Union Carbide Corporation, which provide Union Carbide Canada with access to the technical knowledge of one of industry's foremost research organizations.

Selling Prices (1961 index = 100)

Distribution of the 1973 Sales Dollar

Materials, Services and Other Costs of Doing Business	63¢
Wages and Salaries	20¢
Depreciation	6¢
Federal and Provincial Income Taxes	5¢
Retained to Provide New Facilities and Working Capital	4¢
Dividends Paid	2¢

Sales by Markets (percentage breakdown)



Construction expenditures by group

	1973 Amount (in thousands)	1973 Per Cent of Total	1972 Amount (in thousands)	1972 Per Cent of Total
Chemicals, Fibres and Plastics	**$ 7,014**	**33**	$ 4,061	16
Gases	**2,303**	**11**	11,645	45
Metals and Carbon	**11,767**	**56**	9,861	39
	$21,084	**100**	$25,567	100

Consolidated statement of income and retained earnings

(thousands of dollars)

	Year Ended December 31, 1973		Year Ended December 31, 1972
Sales		**$245,688**	$212,045
Cost of Goods Sold	**$185,785**		158,392
Selling, General and Administrative Expenses	**18,459**		17,483
Depreciation (Note 4)	**13,388**		15,037
Interest on Long Term Debt	**2,262**		1,963
Amortization of Patents, Trade Marks and Goodwill	**303**		411
		220,197	193,286
		25,491	18,759
Investment Income	**1,112**		476
Gain on Disposal of Capital Assets	**305**		514
		1,417	990
		26,908	19,749
Income Taxes (Note 3)			
Current	**6,697**		6,568
Deferred	**5,192**		2,181
		11,889	8,749
		15,019	11,000
Share of Income of Companies Carried at Equity (Note 2)		**688**	635
Income before Extraordinary Items		**15,707**	11,635
Income per Share	**$1.57**		*$1.16*
Extraordinary Items (Note 5)		**1,200**	—
Net Income		**16,907**	11,635
Net Income per Share	**$1.69**		*$1.16*
Retained Earnings at January 1		**67,745**	62,110
		84,652	73,745
Dividends Paid		**6,125**	6,000
Retained Earnings at December 31		**$ 78,527**	$67,745

UNION CARBIDE CANADA LIMITED
and consolidated subsidiaries

The notes on pages 13, 14 and 15 are an integral part of this statement

Consolidated statement of source and application of funds

	(thousands of dollars) Year Ended December 31, 1973	Year Ended December 31, 1972
Source of Funds		
Operations		
Income before Extraordinary Items	$15,707	
Add Non-cash Items		
Depreciation	13,388	
Amortization of Patents, Trade Marks and Goodwill	303	
Transfer to Deferred Income Taxes (Note 3)	5,192	
Share of Income of Companies Carried at Equity	(688)	
Working Capital Provided from Operations	33,902	
Extraordinary Items	2,328	
Proceeds of Debenture Issue	—	
Disposal of Fixed Assets (1973 proceeds $3,979)	1,513	
Disposal of Patents, Trade Marks and Goodwill	—	
Decrease in Investments—Net	257	—
	38,000	
Application of Funds		
Acquisition of Fixed Assets	21,084	
Dividends Paid	6,125	
Long Term Debt Reduction	205	
Increase in Investment—Net	—	
Other—Net	400	
	27,814	
Increase in Working Capital	10,186	
Working Capital at beginning of year	52,424	
Working Capital at end of year	$62,610	$52,424
Detail of Increases (Decreases) in Working Capital		
Cash	$ 6,252	$ 1,205
Receivables	8,244	1,609
Inventories	172	728
Prepaid Expenses	832	(467)
Short Term Borrowing	—	13,000
Payables	(5,698)	(7,733)
Income and Other Taxes	384	(649)
	$10,186	$ 7,693

Consolidated balance sheet

		(thousands of dollars) December 31, 1973	December 31, 1972
Assets			
Current Assets			
Cash		**$ 9,543**	$ 3,291
Receivables		**42,402**	34,158
Inventories		**40,893**	40,721
Prepaid Expenses		**2,526**	1,694
Total Current Assets		**95,364**	79,864
Fixed Assets		**126,145**	120,843
Investments (Note 2)		**7,356**	6,925
Other Assets		**800**	950
		$229,665	$208,582
Liabilities			
Current Liabilities			
Payables		**$ 32,186**	$ 26,488
Income and Other Taxes (Note 3)		**568**	952
Total Current Liabilities		**32,754**	27,440
Deferred Income Taxes (Note 3)		**30,958**	25,766
Long Term Debt		**27,826**	28,031
Shareholders' Equity			
Capital Stock			
Common Shares without Nominal or Par Value			
Authorized — 12,500,000 shares			
Issued and Outstanding — 10,000,000 shares	**$59,600**		59,600
Retained Earnings	**78,527**		67,745
		138,127	127,345
		$229,665	$208,582

Signed on behalf of the Board
J. S. Dewar, Director
J. F. Shanklin, Director

The notes on pages 13, 14 and 15 are an integral part of this statement

Notes to the 1973 financial statements

1. Supplementary balance sheet detail

		(thousands of dollars) December 31, 1973	December 31, 1972
Receivables	Trade	$ 35,997	$ 29,557
	Trade—affiliated companies	2,685	3,008
	Other	3,720	1,593
		$ 42,402	$ 34,158
Inventories — valued at lower of cost and net realizable value	Raw Materials and Supplies	$ 12,841	$ 9,822
	Work in Process	10,848	10,726
	Finished Goods	17,204	20,173
		$ 40,893	$ 40,721
Fixed Assets — at cost less accumulated depreciation	Land	$ 4,062	$ 4,394
	Buildings	59,618	54,116
	Machinery and Equipment	210,746	202,265
		$274,426	$260,775
	Accumulated depreciation	148,281	139,932
		$126,145	$120,843
Investments	Companies carried at equity in net assets	$ 3,363	$ 2,825
	Mortgages, Notes and Other Investments—at cost or less	3,993	4,100
		$ 7,356	$ 6,925
Other Assets	Unamortized Debt Discount	$ 395	$ 426
	Deferred Charges	235	98
	Patents, Trade Marks and Goodwill at unamortized cost	170	426
		$ 800	$ 950
Payables	Affiliated Companies	$ 7,627	$ 6,759
	Other	24,559	19,729
		$ 32,186	$ 26,488
Long Term Debt	a) 8⅜% Unsecured Debentures maturing May 1, 1992. Mandatory sinking fund requirements of $750,000 annually commence May 1, 1978	$ 25,000	$ 25,000
	b) A subsidiary's 5¾% First Mortgage Sinking fund bonds maturing May 1, 1977	2,826	3,031
		$ 27,826	$ 28,031

Notes to the 1973 financial statements

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries.

Investments where the interest is 50% or less are recorded by the equity method, whereby the share of the companies' earnings are included in the Consolidated Statement of Income. The excess purchase price over equity value at time of acquisition is amortized over five years. The following is a financial summary of those companies carried at equity:

	December 31, 1973	December 31, 1972
Total Assets	**$14,029**	$10,797
Less: Total Liabilities	**7,476**	5,258
Net Assets	**$ 6,553**	$ 5,539
UCCL Equity in Net Assets	**$ 3,363**	$ 2,825
UCCL Equity in Net Income	**$ 688**	$ 635

3. Income Taxes

The Company uses the tax allocation principle to provide for income taxes. The time in which transactions affect taxable income frequently differs from the time in which they enter into the determination of income in the financial statements. The cumulative differences between taxes provided and taxes payable are shown as "Deferred Income Taxes" on the Consolidated Balance Sheet.

The 1972 comparative figures have been re-classified to reflect the transfer of $2,217,000 from Income and Other Taxes to Deferred Income Taxes resulting from legislation passed in 1973 for accelerated capital cost allowances on manufacturing assets acquired in 1972.

4. Depreciation

The Company uses straight-line depreciation for financial accounting purposes. Rates are based on estimates of life-months for each group of depreciable fixed assets. Gain or loss on disposal of fixed assets is calculated on the remaining net book value at the time of disposal.

5. Extraordinary Items

a) Gain on sale of assets of the Flexible Packaging Business and of land	$2,734
b) Provision for reduction in value of fibre manufacturing facilities	(1,128)
	$1,606
Provision for Income Taxes	406
	$1,200

6. Retirement Program

Trust funds for the employee retirement program exceed the actuarial liability for vested benefits. The unfunded liability, estimated to be $19,422,000 at January 1, 1973, including $9,687,000 for increased benefits granted in 1973, will be amortized by equal annual payments ending in 1989.

Commencing with 1974, disability benefits for employees will be paid out of the pension fund. An estimated liability of $825,000 has been provided to fund this change in practice.

7. Commitments

a) Purchase commitments for capital expenditures outstanding at December 31, 1973 amounted to approximately $21,902,000.

b) The Company has a contractual liability to indemnify the purchaser of a former subsidiary against certain claims, including one for $1,000,000. In the opinion of counsel, the Company has made adequate provision for the obligation, if any, under this claim.

8. Directors' and Officers' Remuneration

In 1973, five directors received aggregate remuneration of $22,500 as directors and seven directors received no remuneration as directors. Nine officers earned aggregate remuneration of $558,223 as officers. Five officers were also directors.

9. Sales

Consolidated sales by class of business and proportion of the total were:

	1973	Per Cent of Total	1972	Per Cent of Total	Per Cent Change from 1972
Chemicals and Fibres	**$ 40,817**	17	$ 36,743	17	+11
Plastics	**82,832**	34	65,011	31	+27
Gases	**40,688**	16	34,704	16	+17
Metals and Carbon	**81,351**	33	75,587	36	+ 8
	$245,688	100	$212,045	100	+16

Auditors' Report

To the Shareholders of Union Carbide Canada Limited

We have examined the consolidated balance sheet of Union Carbide Canada Limited and consolidated subsidiaries as at December 31, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto 1, Ontario
January 28, 1974

Hardman Ed Cranston
Chartered Accountants

Ten year summary

	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964
Sales										
Chemicals and Fibres	$ 40,817	$ 36,743	$ 33,530	$ 32,133	$ 31,625	$ 30,387	$ 26,320	$ 23,277	$ 24,660	$ 26,109
Plastics	82,832	65,011	57,339	55,599	51,922	46,686	46,757	46,889	44,808	41,385
Gases	40,688	34,704	32,233	33,835	29,913	29,190	27,830	25,828	23,264	20,955
Metals and Carbon	81,351	75,587	75,220	77,965	70,418	59,895	60,072	58,741	52,605	44,935
	$245,688	$212,045	$198,322	$199,532	$183,878	$166,158	$160,979	$154,735	$145,337	$133,384
Net income										
Amount	16,907	11,635	9,429	11,285	11,548	9,470	9,167	13,041	13,039	12,130
% of Sales	6.9%	5.5%	4.8%	5.7%	6.3%	5.7%	5.7%	8.4%	9.0%	9.1%
Per Share	1.69	1.16	.94	1.13	1.15	.95	.92	1.30	1.30	1.21
Total assets	229,665	208,582	195,513	203,257	193,401	184,265	179,734	166,108	150,379	141,962
Working capital	62,610	52,424	44,731	44,345	42,583	42,542	42,556	44,725	46,749	45,828
Construction expenditures	21,084	25,567	11,657	16,525	15,890	13,262	20,053	24,465	13,560	13,432
Depreciation	13,388	15,037	12,739	12,480	13,309	12,006	11,501	9,966	8,876	8,335
Employee data										
Wages and Salaries	48,463	45,764	44,695	42,733	38,823	35,749	34,502	31,682	26,833	24,886
Average Number of Employees	4,807	4,935	5,197	5,307	5,205	5,131	5,405	5,335	4,736	4,573

(dollars in thousands — except per share figures)

Plants	Products
Carbon Welland and Toronto, Ontario	Electric Arc Furnace Electrodes / Electrolytic Cell Anodes / Furnace Linings / Electric Motor and Generator Brushes / Theatre Projector Carbons / Carbon and Graphite Products for chemical, electrical, mechanical and metallurgical applications
Chemicals Montreal East, Quebec	UNION CARBIDE Organic Chemicals, including Ethylene Oxide, Ethanolamines, Glycols and Glycol Ethers / Agricultural Chemicals / Silicone Chemicals, Resins, Oils and Elastomers
Consumer Products Toronto, Orangeville and Walkerton, Ontario	EVEREADY Flashlight, Lighting, Alkaline, Hearing Aid, Transistor, Nickel Cadmium and other Electronic Batteries / EVEREADY Flashlight Cases and Lanterns / EVEREADY Flashlight Lamps / LINDE Star Sapphires and Rubies / Synthetic Crystals / PRESTONE II Anti-Freeze and Summer Coolant / PRESTONE Car Care Products / 6-12 PLUS Insect Repellent / GLAD Food Wrap, Bags and Garbage Bags
Fibres Arnprior, Ontario	UNEL Nylon / DYNEL Modacrylic Fibre
Gases Vancouver and Vernon, British Columbia / Calgary and Edmonton, Alberta / Saskatoon, Saskatchewan / Selkirk, Thompson and Transcona, Manitoba / Thunder Bay, Sault Ste. Marie, London, Malton, Mississauga, Welland, Oakville, Sarnia and Ottawa, Ontario / Noranda, Arvida, Montreal, Montreal East, Tracy, Lauzon and Sept-Iles, Quebec / Saint John, New Brunswick / Halifax, Nova Scotia	LINDE Oxygen, Nitrogen, Hydrogen, Argon, Helium, Carbon Dioxide and Rare Gases / Specialty Gas Mixtures / Fumigants and Sterilants / Calcium Carbide and Acetylene / Gas and Electric Welding, Cutting, Forming and Heat-Treating Apparatus / Welding Rods, Wire and Electrodes / Power Sources / Heat Exchangers / Coatings Service / Steel-Conditioning Machines / Rock-Piercing and Shaping Equipment / Medical Gases, Inhalation and Suction Therapy Equipment / Distillation Trays / Cryogenic Equipment / Food Freezing Equipment / Molecular Sieves / UNOX System for secondary waste water treatment
Metals Welland, Ontario / Beauharnois and Chicoutimi, Quebec	Ferroalloys, Alloying Metals, Pure Metals and Metal Compounds produced from the elements Boron, Calcium, Chromium, Columbium, Manganese, Silicon, Tantalum, Titanium, Tungsten, Vanadium and Zirconium
Plastics Lindsay and Belleville, Ontario / Cowansville and Montreal East, Quebec / Amherst, Nova Scotia	UNION CARBIDE Phenolic Resins and Compounds / Polyethylene and Co-Polymer Resins and Compounds / Epoxy Resins / Phenoxy Resins / Vinyl and Polystyrene Resins and Compounds / Polysulfone Resins / Polyethylene Film / Flexible Packaging / VISKING Cellulose and Fibrous Food Casings
Principal operating subsidiaries	Dominion Viscose Products Limited—cellulose food casings / Smelter Power Corporation—electric power / Union Carbide Canada Mining Ltd.—mining and exploration for minerals

Union Carbide Canada Limited

Head Office	123 Eglinton Avenue East Toronto, Canada M4P 1J3
Stock Transfer Agent and Registrar	Canada Permanent Trust Company Toronto, Halifax, Montreal, Winnipeg and Vancouver
Stock Exchange Listings	Montreal, Toronto and Vancouver
Auditors	Hurdman and Cranstoun Toronto

UNION CARBIDE

Carbon &
Graphite
Chemicals
Consumer
Products
Fibres
Gases
Metals
Plastics

UNION CARBIDE

AR02

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Principal Operating Subsidiaries
Dominion Viscose Products Limited
Smelter Power Corporation
Union Carbide Canada Mining Ltd.

UNION CARBIDE

UNION CARBIDE CANADA LIMITED

Semi-Annual Report June 30 1973

Sales reached a record $116,376,000 during the first half of 1973, increasing 13 per cent over sales of $103,292,000 in the same period last year. The continued upturn in economic conditions created a strong demand for all Union Carbide products.

Net income also achieved an all-time high. At $7,620,000, or 76 cents a share, it showed an improvement of 32 per cent over the $5,784,000, or 58 cents a share, earned in the initial six months of 1972. The expanded sales, some firming of prices and the new corporate tax rates for manufacturing and processing industries were the major contributing factors.

Further increases in sales and earnings are foreseen for the remainder of the year but at moderated levels. Nominal gain from the sale in late July of the company's interest in a flexible packaging business based in Orangeville, Ontario, will be recorded in the second half.

A new tonnage oxygen facility at Sault Ste. Marie, Ontario, went into operation in March. Its performance has been most satisfactory. Construction of a large manganese alloy furnace and associated facilities at the Beauharnois, Quebec, metals plant is nearing completion. Initial production is anticipated by September.

J. T. Dwyer

President

UNION CARBIDE

UNION CARBIDE CANADA LIMITED and Consolidated Subsidiaries

INTERIM CONSOLIDATED INCOME STATEMENT *(subject to year-end audit and adjustment)*

	SIX MONTHS ENDED JUNE 30			
	1973		**1972**	
	(in thousands of dollars)			
Sales		$116,376		$103,292
Cost of Goods Sold	$87,375		$76,495	
Selling, General and Administrative Expenses	8,336		8,422	
Depreciation	6,717		6,625	
Interest on Long-Term Debt	1,146		829	
Amortization of Patents, Trade Marks and Goodwill	150	103,724	228	92,599
		12,652		10,693
Investment Income	358		177	
Gain on Disposal of Capital Assets	71	429	47	224
		13,081		10,917
Income Taxes				
Current	3,319		3,817	
Deferred	2,529	5,848	1,597	5,414
		7,233		5,503
Share of Income of Companies Carried at Equity		387		281
Net Income		$ 7,620		$ 5,784
Earnings per Share	$ 0.76		$ 0.58	

INTERIM CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

(subject to year-end audit and adjustment)

	SIX MONTHS ENDED JUNE 30	
	1973	***1972**
	(in thousands of dollars)	
Source of Funds		
Operations		
Net Income	$ 7,620	$ 5,784
Add Non-Cash Items		
Depreciation	6,717	6,625
Amortization of Patents, Trade Marks and Goodwill	150	228
Transfer to Deferred Income Taxes	2,529	1,597
Share of Income of Companies Carried at Equity	(387)	(281)
Working Capital Provided from Operations	16,629	13,953
Decrease in Investments – Net	543	(1,558)
Disposal of Fixed Assets and Intangibles	74	1,488
Proceeds of Debenture Issue	—	25,000
	17,246	38,883
Application of Funds		
Acquisition of Fixed Assets	7,809	8,637
Dividends Paid	3,000	3,000
Long-Term Debt Reduction	199	15,020
Other – Net	30	648
	11,038	27,305
Increase In Working Capital	6,208	11,578
Working Capital at beginning of period	50,207	44,731
Working Capital at end of period	$56,415	$56,309

*Restated to display adjustments resulting from adoption of the equity method of reporting investment in 50% or less owned companies.